

THE HONORABLE THOMAS S. ZILLY

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

EXPERIENCE HENDRIX, L.L.C., a  
Washington Limited Liability Company, and  
AUTHENTIC HENDRIX, LLC, a Washington  
Limited Liability Company,

Plaintiffs,

vs.

HENDRIXLICENSING.COM, LTD, dba  
HENDRIX ARTWORK and  
HENDRIXARTWORK.COM, a Nevada  
Corporation, and ANDREW PITSICALIS,

Defendants.

No. C09-0285 TSZ

PLAINTIFFS' RESPONSE TO  
DEFENDANTS' MOTION TO EXCLUDE  
THE TESTIMONY OF EXPERT RICHARD  
YALCH

**I. RESPONSE SUMMARY**

In the Court's April 19, 2011 Minute Order, Experience Hendrix L.L.C. and Authentic Hendrix, LLC (hereinafter "Experience Hendrix") were directed to file an offer of proof concerning "what testimony Dr. Yalch is anticipated to provide that is consistent with both his report and the Court's rulings in this case." Experience Hendrix submitted an offer of proof pursuant to the Court's order and consistent with Dr. Yalch's November 9, 2009 report.

Defendants now move this Court to exclude all of his testimony because "Professor Yalch's original report was based on the damages to Experience's Jimi Hendrix Brand" as the

PLAINTIFFS' OFFER OF PROOF REGARDING  
THE TESTIMONY OF EXPERT RICHARD  
YALCH (Cause No. C09-0285 TSZ) – 1

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1 sole source of Jimi Hendrix related merchandise”<sup>1</sup> and because his supplemental report is  
 2 untimely and contains new opinions on “the strength and value of Experience’s marks.”<sup>2</sup>

3 With the exception of Dr. Yalch’s opinions on song titles as a source of unfair  
 4 competition, nothing from the Court’s February 8, 2011 Order alters or affects Dr. Yalch’s  
 5 original opinions that he expressed in his November 2009 report. Nevertheless, Dr. Yalch  
 6 submitted a supplemental report to clarify his original opinions.

7 In fact, Defendants have misled the Court as to the content of Dr. Yalch’s original  
 8 report. Defendants have attempted to characterize his report as being based on a belief that  
 9 Experience Hendrix claims ownership to Jimi Hendrix’s personality rights. For example  
 10 Defendants argue in their motion to exclude that Professor Yalch’s original report was based on  
 11 his belief that “Experience’s ‘Jimi Hendrix Brand’ [is] the **sole source** of Jimi Hendrix related  
 12 merchandise.”<sup>3</sup> That assertion is simply false and misleading. Dr. Yalch does not ever use the  
 13 phrase “sole source” in his report—in fact he does not even use the word “sole”—nor does he  
 14 infer that Experience Hendrix is the sole source of Jimi Hendrix related merchandise.  
 15 Defendants also allege that Dr. Yalch’s original report “was predicated on several incorrect  
 16 bases about Experience’s exclusive control of the “Jimi Hendrix Brand.” Again, Dr. Yalch  
 17 does not ever refer to “exclusive control” in his report and does not even use the word control.  
 18 Instead, Dr. Yalch explains in his report that Defendant’s use of Plaintiffs’ marks has created  
 19 confusion as to the source of the Defendant’s goods, and that Defendants’ infringing use of  
 20 Experience Hendrix’s signature and headshot logo have damaged Experience Hendrix.

21 Finally, Defendants argue that allowing Dr. Yalch to provide testimony consistent with  
 22 his supplemental report violates Rule 26 because he did not timely supplement his report.  
 23

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<sup>1</sup> Defendants’ Motion to Exclude Professor Yalch at 2.

<sup>2</sup> Motion to Exclude at 4.

<sup>3</sup> This is confirmed by Dr. Yalch in his conclusion, where he explains that “Experience Hendrix and related companies have successfully established Jimi Hendrix as a brand with a long a profitable future. They have created this brand by combining their ownership of Jimi Hendrix’s music with trademarks and logos that uniquely and distinctly establish a leading position among celebrity brands.”

1 Because he does not offer new opinions in his supplemental report and has instead narrowed the  
 2 scope of his opinions, Defendants cannot show any prejudice to allowing him to testify  
 3 consistent with Plaintiffs' April 22, 2011 Offer of Proof.

## 4 II. RESPONSE ARGUMENT

### 5 A. Dr. Yalch's Original Report Does not Allege that Experience Hendrix is the owner of all things Jimi

6 Dr. Yalch explains in his report that branding is achieved through the use of trademarks.  
 7 Dr. Yalch's original report focuses on the Experience Hendrix trademarks as forming the basis  
 8 for the Jimi Hendrix brand. Defendants wish for "Jimi Hendrix brand" to mean "all things  
 9 Jimi" or "Jimi Hendrix's personality rights." But Dr. Yalch clearly explains in his ORIGINAL  
 10 report that the Jimi Hendrix brand is conveyed through Experience Hendrix's use of trademarks  
 11 to brand music it owns and merchandise it licenses. The "Jimi Hendrix Brand" in Dr. Yalch's  
 12 original report is a combination of Jimi's music and branded merchandise featuring Experience  
 Hendrix's trademarks:

13 Experience Hendrix has successfully transformed Jimi Hendrix from a popular  
 14 musician to a distinct and well-recognized brand. They have created this brand  
 15 by combining their ownership of Jimi Hendrix's music with branded  
 16 merchandise featuring registered trademarks (e.g., Jimi Hendrix, the Jimi  
 17 Hendrix Experience, the highly recognizable Jimi Hendrix signature, and the  
 18 Authentic Hendrix head shot logo). Their brand management includes  
 19 licensing agreements with various entities, the care taken in overseeing how  
 20 the Hendrix marks are displayed, and efforts to prevent the associations to  
 21 inappropriate products and settings.

22 Dr. Yalch's report then discusses the associations that consumers have with the Hendrix brand,  
 23 and how those associations are positive. There is no discussion or assertion by Dr. Yalch that  
 Experience Hendrix owns all things Jimi, or that Experience Hendrix is the sole source of Jimi  
 Hendrix related merchandise. To the contrary, Dr. Yalch explains that the quality of products is  
 maintained by "Experience Hendrix's close supervision of the products and events associated  
 with the Jimi Hendrix brand."

1 Defendants incorrectly argue that Dr. Yalch's report focuses on Experience as having  
2 "'exclusive control' and stewardship of Jimi Hendrix." This is simply not in his report.

3 Perhaps most significant, Dr. Yalch's opinions about "how Hendrixlicensing's activities  
4 affect the Jimi Hendrix Brand" focus on Defendants' infringing acts as causing confusion and  
5 unfairly benefiting Defendants:

6 By featuring a Jimi Hendrix head shot and signature in its brand identification,  
7 Hendrixlicensing is unfairly benefiting from the goodwill established by  
8 Experience Hendrix. The consequential damages from this behavior are many.  
9 They include creating confusion regarding the origin of all Jimi Hendrix  
10 branded products, providing unfair competition to authentic merchandise,  
11 diluting the Jimi Hendrix brand, tarnishing the Jimi Hendrix brand, and  
12 encouraging others to use Jimi Hendrix trademarks without proper  
13 authorization.

14 Again, "Jimi Hendrix branded products" in this excerpt refers to "branded merchandise  
15 featuring registered trademarks." Dr. Yalch further opines that by selling infringing products  
16 using the Jimi Hendrix signature, Defendants' activities dilute the Jimi Hendrix brand:

17 Seeing the highly distinctive Jimi Hendrix headshot and signature  
18 indiscriminately displayed on many products undermines the importance of  
19 having these marks on an item a consumer has purchased.

20 Dr. Yalch's damage opinions identify the amount of Defendants' royalties that he had  
21 reviewed. He acknowledged that those invoices might not be complete (and in fact, they were  
22 not). He did not provide damage numbers for corrective advertising or for damage to the Jimi  
23 Hendrix brand and trademarks because of the inherent difficulty in assessing such damages. As  
explained below, Defendants' new (April 14, 2011) disclosure of claimed business expenses  
has now allowed Dr. Yalch to opine on the amount of money that Defendants claim to have  
spent on advertising.

**B. Dr. Yalch's Supplemental Report Does not Provide New Opinions and is  
Consistent with His November 3, 2009 Report**

Defendants also seek to exclude Dr. Yalch because Dr. Yalch's supplemental report is  
untimely. But his supplemental report does not provide new opinions about Defendants'

1 infringing activities, nor has he formed new opinions on how Defendants' infringing activities  
2 have damaged Plaintiffs.

3 Rather, he has clarified and narrowed what he will testify to consistent with the Court's  
4 February 8, 2011 Order. His supplemental report does not discuss unfair competition through  
5 the use of Plaintiff's song titles and does not discuss brand tarnishment. The supplemental  
6 report further clarifies that "Jimi Hendrix brand" means the "Experience Hendrix trademarks."  
7 Dr. Yalch is not an attorney, but is a marketing expert, having spent years analyzing the uses of  
8 trademarks, services marks, logos and other commercial "identities" (aka "brands"). His  
9 inclusion of marketing terms in his first report, to identify the trademarks this Court has ruled  
10 were infringed, should not disqualify that report or his later clarifications.

11 Dr. Yalch does not offer new opinions in his supplemental report. He instead clarifies  
12 that his original report evaluated Defendants' infringing use of Plaintiffs' marks only and the  
13 damage to Experience Hendrix caused by the infringing use.

14 **C. Dr. Yalch's Testimony is Necessary to Provide Evidence of Experience**  
15 **Hendrix's Damages Resulting from Defendants' Infringing Activities**

16 Dr. Yalch will provide opinions on damages from Defendants' infringing use of  
17 Plaintiffs' marks. He will testify to the amount of royalties and revenues that he has identified  
18 from Defendants' limited disclosures. He will also testify to the amount of money that  
19 Defendants spent on advertising during the infringing period as a measure of corrective  
20 advertising damages. He will also testify to the injury to Experience Hendrix's trademarks and  
21 how the value of Experience Hendrix's marks and related goodwill has been diminished by  
22 Defendants' unauthorized activities and that Plaintiffs have suffered as a result of Defendants'  
23 unauthorized use of their trademarks.

1 **1. Dr. Yalch will Testify to Defendants' Revenues from Infringing Sales**

2 Dr. Yalch will provide testimony on Defendants' sales based on his examination of  
3 records and licensing data obtained through Defendants and third-parties. He will testify to

1 Defendants' gross sales and Experience Hendrix's cost of corrective advertising. This task is  
 2 complicated by Defendants' poor record keeping and failure to keep records relating to their  
 3 business.

4 For example, Mr. Pitsicalis has no receipts for expenses and is relying solely on  
 5 cancelled checks and bank statement summaries from Acropolis Ventures to show deductible  
 6 expenses. He has only a few royalty reports. He has no invoices or billing statements from any  
 7 vendors. And he has kept very few emails between himself and his licensees. He has admitted  
 8 that does not have a document retention policy and stated: "There isn't any standard. As I run  
 9 out of storage space I remove files to free up space that at the time of deletion I feel aren't  
 10 necessary to keep."<sup>4</sup>

11 Not surprisingly, much of the information relating to Defendants' product sales have  
 12 come from licensees and bank records subpoenaed by Plaintiffs. Accordingly, Dr. Yalch's  
 13 testimony on sales is necessary for Experience Hendrix to prove its damages arising from  
 14 Defendants' unauthorized use of its marks.

15 **2. Dr. Yalch will Testify to Defendants' Advertising expenditures as a**  
 16 **Measure of Corrective Advertising Damages**

17 On April 12, 2011, Defendants submitted an exhibit to Plaintiffs that purported—for the  
 18 first time—to identify Hendrixlicensing.com's expenses.<sup>5</sup> Notably, the 850 pages of newly  
 19 produced bank records are the first attempt by Defendant to produce some evidence of  
 20 expenses. Because Defendants have never produced any receipts, invoices or bills, Defendants  
 21 have instead taken the 850 pages of bank records obtained by Experience Hendrix through a  
 22 subpoena to Bank of America, and added handwritten notations by an unknown person  
 23 purporting to identify business expenses incurred by Hendrixlicensing.com. These expenses are

<sup>4</sup> Answer to Interrogatory No. 5 to Defendants' Response to Plaintiffs' First Interrogatories and Requests for Production, verified July 10, 2009.

<sup>5</sup> See Ex. A-3 submitted by Defendants and containing 850 pages of bank rerecords that Experience Hendrix had subpoenaed from Defendants' bank accounts in November 2009.



1 not from the hendrixlicensing.com bank account, but from a separate business account issued to  
 2 Acropolis Ventures.<sup>6</sup> This 850 page exhibit is the entirety of Hendrixlicensing's purported  
 3 expense-related documentation.

4 Defendants did not identify who marked up the statements, how the person determined  
 5 the notations, or whether the notation was based on documents in Defendants' possession. Also  
 6 for the first time on April 12, 2011, Defendants identified CPA Cedric Nelson as having created  
 summaries of profit and loss statements produced in February 2010.

7 Professor Yalch has reviewed these newly produced bank statements and their notations  
 8 in an attempt to identify advertising expenses that Defendants allegedly incurred promoting and  
 9 selling infringing products and engaging in the infringing website activity. He has prepared a  
 10 summary of those alleged expenses and is prepared to provide testimony to those alleged  
 11 advertising expenses at trial. Such testimony would assist the jury in calculating Experience  
 Hendrix's corrective advertising damages.

12 Courts allow injured parties to seek damages based on the prospective cost of corrective  
 13 advertising, because compensatory damages for both trademark infringement and breach of  
 14 contract are intended to make the injured plaintiff whole. *Adray v. Adry-Mart, Inc.*, 76 F.3d  
 15 984, 988 (9th Cir.1996); *Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co.*, 561 F.2d  
 16 1365, 1384 (10<sup>th</sup> Cir. 1977). In certain circumstances an award equaling the amount necessary  
 17 for corrective advertizing is recoverable as a remedy where there was harm to the brand. *Zazu*  
 18 *Designs v. L'Oreal, S.A.*, 979 F.2d 499, 506 (7th Cir. 1992) ("Corrective advertising' is a  
 19 method of repair. Defendant diminishes the value of plaintiff's trademark, and advertising  
 20 restores that mark to its original value."); *Big O*, 561 F.2d at 1374-75; *Adray*, 76 F.3d at 988.  
 21 The award may be prospective, that is a reasonable estimation of the future costs of corrective  
 22 advertising when the plaintiff has not yet spent any money on advertising to counteract any

23 <sup>6</sup> Acropolis Ventures is a separate Nevada corporation owned by Andrew Pitsicalis.

1 confusion in the industry. *Zazú*, 979 F.2d at 506; *Big O*, 561 F.2d at 1375; *Adray*, 76 F.3d at  
2 988-89.

3 When calculating corrective advertising, Courts can extrapolate potential corrective  
4 advertising costs by taking the total advertising amount spent by defendants on the infringing  
5 activity, and either grant the entire amount or divide by a percentage to make it “fair.” *See, e.g.,*  
6 *Big O Tire Dealers*, 408 F. Supp. 1219 (D. Colo. 1976), modified, 561 F. 2d 1365 (10<sup>th</sup> Cir.  
7 1977). These damages are available even if the plaintiff can afford to conduct the campaign  
8 prior to trial. *Adry v. Adry-Mart, Inc.*, 68 F.3d 362 (9<sup>th</sup> Cir. 1995), amended, 76 F.3d 984, 988  
9 (9<sup>th</sup> Cir. 1996). See also *Cher v. Forum Int’l, Ltd.*, 2134 USPQ 96 (CD Cal.), *aff’d in part*, 692  
10 F.2d 634 (9<sup>th</sup> Cir. 1982). The amount of corrective advertising should not exceed the damage to  
11 the value of the mark. The burden of uncertainty of such costs should be borne by the  
12 wrongdoer. *Adry*, 76 F.3d at 988. As the 9<sup>th</sup> Circuit has explained, the amount of Defendant’s  
13 advertising can be a measure of damages even if the Defendant failed to make a profit from the  
14 infringing goods:

15 Finally, Jartran contends that the district court should not have included the \$6  
16 million cost of its advertising campaign as “profits” within the meaning of  
17 Lanham Act § 35 because Jartran did not make a profit during the relevant  
18 period. It is irrelevant that Jartran *as a whole* failed to turn a profit during the  
19 period of the advertising. The amount to be awarded is the financial benefit  
20 Jartran received because of the advertising.

21 *U-Haul Intern., Inc. v. Jartran, Inc.*, 793 F.2d 1034, 1042 (9<sup>th</sup> Cir. 1986).

22 When, as here, Plaintiffs expend significant amounts on marketing for a variety of goods  
23 including music, it is easier to measure corrective advertising through Defendants’ own  
expenditures. Professor Yalch did not identify the amount of Defendants’ advertising expenses  
in his November 3, 2009 Report because that information was not available to him. In fact,  
Defendants provided no information on alleged expenses to Plaintiffs until April 14, 2011,



when Defendants submitted, for the first time, bank statements<sup>7</sup> arranged with monthly summaries and hand-written notes to identify alleged expenses.

**3. Dr. Yalch will testify to Experience Hendrix's injury from Defendants' use of its trademarks**

Dr. Yalch's opinions on the injury caused by Defendants' unauthorized use of Experience Hendrix's marks are relevant to Experience Hendrix's WCPA claim even if he cannot put a specific dollar value on the damage to Experience Hendrix's trademarks. Defendants have challenged whether Experience Hendrix was injured by their use of Experience Hendrix's marks.<sup>8</sup> Because Dr. Yalch's damage opinions relate to both Experience Hendrix's Lanham Act claims<sup>9</sup> and Experience Hendrix's Washington Consumer Protection Act (WCPA) claims, his testimony as to damages or injury flowing from Defendants' infringing use of Plaintiffs' marks is relevant and will be helpful to the jury.<sup>10</sup> Accordingly, although he will not place a specific amount on damage or injury to the Experience Hendrix trademarks, his testimony is still helpful and necessary for establishing elements of Plaintiffs' WCPA and Lanham Act claims.

**CONCLUSION**

Experience Hendrix asks that the Court permit Dr. Yalch to testify consistent with its April 22, 2011 Offer of Proof.

<sup>7</sup> Experience Hendrix obtained through subpoenas bank statements for Acropolis Ventures, Hendrix Licensing, and Mr. Pitsicalis' personal accounts in December 2009. These statements did not identify expenses or revenues, as the majority of deposits and withdrawals from each of the accounts were cash.

<sup>8</sup> See, e.g., Defendants' Response to Plaintiffs' Motion for Partial Summary Judgment on Consumer Protection Act Claims at 9 ("Damages are a necessary element of any CPA claim, as well as proof those damages flowed from the Defendants' actions. Here, Experience has failed to meet its burden on damages, and thus failed to show any causal link as well.").

<sup>9</sup> Dr. Yalch's opinions as they relate to the Lanham Act claim concern damages available under the Act, including lost sales and corrective advertising.

<sup>10</sup> Dr. Yalch's opinions as they relate to the WCPA concern lost sales and damage to Experience Hendrix's goodwill and trademarks.

1 Respectfully submitted this 2<sup>nd</sup> day of May, 2011.

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**CERTIFICATE OF SERVICE**

I hereby certify that on May 2, 2011, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system which will send notification of such filing to the parties below.

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DATED 2<sup>nd</sup> day of May, 2011 at Seattle, Washington.

s/ Jennifer Hickman  
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